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EU Negotiators Reach Compromise on Multiannual Financial Framework for 2021 - 2027

Negotiators for the EU Parliament and EU Council last week reached an agreement on the Multiannual Financial Framework for 2021 – 2027 and Own Resources. The agreement now allocates a further 16 Billion Euro beyond what was agreed at the Summit in July by Member States, to bolster EU flagship programmes and deal with future crises. The additional funds will be drawn mainly from competition fines. Under the agreement made last week, Own Resources will be comprised of “an ETS (Emissions Trading System)-based Own Resource (from 2023, possibly linked with a carbon border adjustment mechanism), a digital levy (from 2023), and an FTT-based Own Resource as well as a financial contribution linked to the corporate sector or a new common corporate tax base (from 2026)."

In July, leaders agreed to the "Next Generation EU" new recovery instrument, a one-off recovery measure to be embedded within the EU budget for 2021 – 2027. 750 Billion Euros will be raised by the Next Generation EU recovery instrument, by lifting the ceiling on own borrowing on the open market, with 390 billion to be raised in grants and 360 billion in loans. The Recovery fund is intended to support Member State investments and reforms, incentivise private investment and strengthen EU healthy security and prepare for future crises. The fund will invest in programmes that align with EU policy priorities, in particular the European Green Deal, in circular economy and renewable energy projects, as well as in projects that strengthen the Single Market and the EU's digital and technological presence. 30% of the Recovery Fund and the MFF is to be invested in programmes fighting climate change.

Johan Van Overtveldt, Chair of the EU Parliament's Committee on Budgets, said of the agreement, *"The shift towards more research and innovation, with a focus on entrepreneurship, which began with the redesigned 2020 European budget, will now also be continued in the MFF. This shift is imperative for our growth, job creation and competitiveness. The conclusion of these negotiations means the European Recovery Plan can finally be activated."*

The compromise now needs to be endorsed by the EU Parliament and Council.

OECD Publishes Report on Taxing Digital Currencies

The OECD has published a report on Taxing Digital Currencies, examining the tax treatment of virtual currencies, and emerging taxation issues surrounding crypto-assets. The report findings confirm that tax policymakers are in the initial stages of considering the implications of these assets, with G20 and finance ministers calling on organisations to analyse the evasion risk posed by digital currencies and establish compliance and taxation frameworks for emerging digital currencies.

The taxation implications of crypto-assets are being examined by CFE Tax Technology Committee, with a specific working group being established in the Committee following on from the European Commission announcing as part of their Tax Package 2020 that EU rules on automatic exchange of information would be extended to crypto assets and e-money.

EU Parliament Issues Appraisal of Administrative Cooperation in Taxation

The European Parliament have recently published an Initial Appraisal of the European Commission's Impact Assessment on its Proposal for a Council Directive amending Directive 2011/16/EU on administrative cooperation in the field of taxation, to extend to information on the taxation of digital platform sellers' revenues.

As part of its 2020 Tax Package, the EU Commission has issued a proposal for a Council Directive to revise the Directive on Administrative Cooperation to extend EU exchange of information rules to information on income generated by sellers on digital platforms. Platforms will be required to report on the provision of services, the sale of goods, rental of property, rental of any mode of transport and investment, and lending in the context of crowdfunding. The Directive aims to reduce administrative burdens on platforms by simplifying reporting requirements, enabling platforms to report in one single country of their choosing, once per year, allowing national tax authorities to identify where tax should be paid through the exchange of information. The Directive also sets out rules concerning joint tax audits.

The Parliament’s Initial Appraisal sets out that the Commission Impact Assessment is “based on solid research and sources, and is fully transparent as regards the methods and assumptions underlying the analysis.” However, the Appraisal states that the Impact Assessment’s objectives “are not sufficiently differentiated and specified” and that the presentation of options in the Impact Assessment “lacks clarity and structure”, and “mainly assesses the economic impacts of the actions under the preferred legislative option, concluding that the benefits would significantly exceed the costs.”

Registration: CFE Professional Affairs Virtual Conference on Taxpayers Rights - 30 November

The 13th European Webinar Conference on Tax Advisers’ Professional Affairs, which will be held virtually on Monday, 30 November 2020 from 3:30pm to 5pm CET, on the topic of “Taxpayer Rights and Legal Certainty in the Digital Era”, is now open for registration.

The virtual conference will welcome tax experts and academics, including Dr Philip Baker QC, prof. dr. sc. Nataša Žunić Kovačević and Paul Kraan, as well as Albert Raedler representing the European Commission. The panel will examine European and global developments in the protection of taxpayers’ rights and the impact and implications of technology on taxpayers’ rights. The conference will also review the recently published IBFD 2019 Yearbook on Taxpayers’ Rights, the most recent compilation of information by the Observatory on the Protection of Taxpayers’ Rights. Register here to secure your place for the webinar.

Panama Deposits Instrument of Ratification for OECD's BEPS MLI

Panama has now deposited its instrument of ratification for the OECD’s Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI).

The MLI entered into force in July 2018, after being concluded in 2016. The MLI implements tax treaty measures which update international tax rules and aims to restrict opportunity for tax avoidance by implementing minimum tax standards and improving dispute resolution mechanisms.

The multilateral tax treaty allows jurisdictions to update their existing double tax treaties and transpose measures agreed in the BEPS project without further need for bilateral negotiations. It now extends to over 1,650 bilateral tax treaties.

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